

VZCZCXRO1032
PP RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV RUEHSR
DE RUEHMD #1339/01 3541515
ZNR UUUUU ZZH
P 191515Z DEC 08
FM AMEMBASSY MADRID
TO RUEHC/SECSTATE WASHDC PRIORITY 5801
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHLA/AMCONSUL BARCELONA 3720
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 MADRID 001339

SIPDIS

STATE FOR EUR/WE:SAMSON,ZERDECKI AND EEB/IFD/OMA
TREASURY FOR OIA/OEE/W.LINDQUIST
COMMERCE FOR 4212/DON CALVERT

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EIND](#) [EINV](#) [ELAB](#) [SP](#)
SUBJECT: MADRID ECONOMIC WEEKLY, DEC 13-19

REF: MADRID 1309

MADRID 00001339 001.2 OF 002

Contents

EFIN: Congress Approves 2009 Budget
ELAB: 90% Fewer Work Visas to be issued in 2009, but
Immigration Still Rising
EFIN: Impact of Madoff Fraud
EFIN/EINV: BBVA Increases Capital
EINV/EIND: Housing Market Decline Continues
EINV: ACS to Build, Operate NC Toll Bridge

Congress Approves 2009 Budget

1.(U) The lower house voted 178-165 to pass the 2009 budget December 18, overriding the Senate's veto on the draft bill. The unresolved dispute over regional government financing was one of the hurdles to passing this budget. The GOS characterizes the 2009 budget as "austere" with just a 3.3 percent nominal increase in program spending. However, Vice President and Economy/Finance Minister Solbes acknowledged that the budget was already out of date given the macroeconomic changes that have taken place since its introduction in September. In addition, the budget does not include billions of euros in planned stimulus and financial system measures that the GOS announced in October and November of this year. Solbes acknowledged that Spain's deficit will surpass the EU limit of 3 percent of GDP, but EU officials have signaled that governments will be allowed to exceed the limit. The Ministry of Labor and Immigration and the Ministry of Housing will enjoy significant increases over 2008, while the budgets of the Ministries of Defense, Foreign Affairs, and Economy and Finance (among others) will be decreased. According to the GOS, the pillars of the 2009 budget are social spending, R&D, and infrastructure spending. The bill will be sent to President Zapatero for signature in time for its January 1 implementation date. (All Media, Ministry of Economy and Finance, 12/19)

90% Fewer Work Visas to be Issued in 2009, but Immigration Still Rising

2.(U) The Council of Ministers is set to approve on December 19 a more than 90 percent reduction in the number of work visas for country origin workers in 2009. Fewer than 1,000 country of origin work visas will be given out in 2009, compared with 15,731 in 2008. Minister of Immigration and Labor Celestino Corbacho had warned earlier in September that the hiring of immigrant workers abroad would soon diminish. He has been strongly advertising Spain's immigrant "voluntary return" program, which assists unemployed immigrant workers

to return to their country of origin. Press reports indicate that so far, only several hundred immigrants have accepted the voluntary return offer. Immigration to Spain continued to increase in 2008. Recently released Eurostat data indicates that Spain has the highest volume of immigration of any EU country in 2008, with about 500,000 new immigrants, particularly from Morocco and Romania. (EL Pais, December 16, Eurostat, December 17)

Impact of Madoff Fraud

3.(U) Vice President/Minister Solbes and Bank of Spain Governor Miguel Angel Ordóñez Fernández stated on December 15 that the impact of Madoff's investment scheme on the Spanish financial sector as a whole would not be significant. However, Banco Santander has reported a fairly significant exposure of 2.33 billion euros, much of which was through its Optimal hedge fund based in Geneva. Spain's second largest bank, BBVA, announced a possible maximum loss of 300 million euros. The National Securities Market Commission reported on December 16 an additional exposure level of approximately 107 million euros of various Spanish funds. Local analysts believe that the full impact in Spain of the Madoff scheme may be greater -- one press report said 17,000 Spanish accounts were affected -- although they do not appear to question VP Solbes' assessment. (All Media, 12/15-12/19)

BBVA Increases Capital

4.(U) Spain's second largest bank, BBVA, announced on December 19 that it had issued 1 billion euros in non-core preferred shares to boost its capital base. The placement took only four days, in part because of the attractive interest rate of 6.5 percent for the first two years and the euribor rate (with a minimum of 3.5 percent) after that.

MADRID 00001339 002.2 OF 002

Press reports suggested that the move was aimed at helping BBVA keep up with banks elsewhere in Europe that have taken advantage of government financing/capitalization programs. Although BBVA has some exposure to Spain's declining housing market, it has large Latin American and U.S. operations and is widely viewed as a stable and solid institution. (El Pais, 12/13; Expansion, 12/19)

Housing Market Decline Continues

5.(U) The housing market continued its decline in the July-September quarter, according to housing ministry data. The number of home sales in the quarter was 36 percent below the level of a year ago. Builders are responding to the overhang of unsold units and the difficulty of getting new financing by further cutting back; the number of housing starts was 49 percent below the level of a year earlier, and building permit requests in September were down 63 percent. (El Pais, 12/19)

ACS to Build, Operate NC Toll Bridge

6.(U) The ACS construction group announced that its Iridium and Dragados subsidiaries had been selected by the North Carolina Turnpike Authority to build and operate the 7-mile \$700 million Mid-Currituck Bridge. ACS has won infrastructure concessions in Texas, Florida, and Canada in the last six months. An ACS press release also highlighted as an important growth opportunity the incoming Administration's announcement of plans to invest \$500 billion in infrastructure projects. (El Pais, 12/19; ACS press release, 12/18)

AGUIRRE